

Escalating Costs of Health Care

In a speech before the American Hospital Association convention in Atlanta, Ga., on August 29, 1977, HCFA Administrator Robert A. Derzon made suggestions for quick actions to contain the rising costs of health services. Following are excerpts from his address.

□ Right now costs are escalating, according to our calculations, at the same rate as they were in 1976. Based on figures for the first 5 months of fiscal year 1977, we are projecting a 16 percent increase in expense per patient day.

□ I regret that we have come to the point of wanting to cap revenues. So does the rest of the Administration and the Congress, but frankly, the cost crunch that has been anticipated is upon us. National Blue Cross believes that something must be done about costs. Several States whose Medicaid expenses are out of control believe that. Employers who are developing their own HMOs believe it. You ought to believe it.

□ So, as we see it, we must choose between stop-gap controls now or severe chaos within the next 3 or 4 years in the financing of hospital and other health care. We are, in my judgment, well beyond the point at which we can respond to rising health expenditures with expressions of concern, rationalizations, or mutual abuse. If we, or the hospital world, had permanent reforms to suggest, now would be the time to install them. But we do not. Unless we buy additional time and use it more effectively than we have in the past decade, the opportunity for reform will be lost, along with the strengths and virtues of flexible and pluralistic health care delivery programs . . .

□ I have a short, incomplete list of things I think hospitals can do individually and collectively to help preserve the pluralistic character of the health provider world and still meet the public's concern for affordable high-quality care.

1. Every hospital in a multi-hospital city or town ought to ask why it hasn't merged with another, at least programmatically, if not organizationally and physically. What's wrong with consolidating resources in an effort to eliminate redundant capacity?

2. Announce a major campaign

to educate trustees, physicians, and the public about the costs of health care and how to limit them.

3. Stop the incredible leasing, borrowing, and the accumulation of long-term indebtedness. Debt leverages the system and, in fact, freezes it. Besides, you or we will have to pay off that debt.

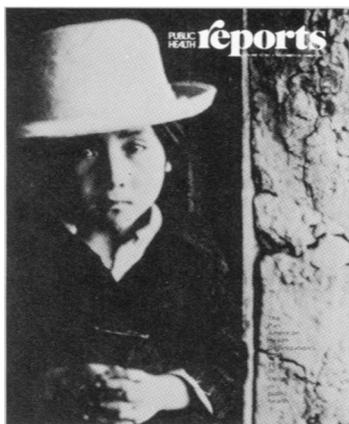
4. You and your trustees should not simply defer to physicians on every medical care issue in the hospital. . . . As long as physicians are beyond the trustee-administrator orbit, they are shielded from the problems I have highlighted, and we will make no significant progress.

5. You should be ahead of the public issues and not behind them. You need to band together with positive alternatives. . . .

6. Lastly, figure out how you can manage with aggregate revenue increases that are below double-digit inflation. Then go out and do it. . . .

□ We are well aware that health costs are not the sole responsibility of hospitals. Physicians, dentists, and other health care providers; those in the nursing home field; pharmacists and pharmaceutical manufacturers; and others too numerous to mention must begin to care as much about cost and cost effectiveness as they have cared traditionally about assuring patient therapy. We do not believe that high cost and high quality are necessarily synonymous. We do not want any American deprived of excellent care. We simply want thoughtful decision-making by both patients and their caretakers.

Robert A. Derzon
Administrator, Health Care
Financing Administration,
Department of Health,
Education, and Welfare



Cover—The health of children throughout the Americas is a concern of the Pan American Health Organization. An article on the Organization's activities during the past 75 years begins on page 537.

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